

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
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R 131640Z SEP 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9959
INFO AMCONSUL HONG KONG

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E. O. 11652: N/A
TAGS: EAIR, UK, HK
SUBJECT: CIVAIR: FLYING TIGER CARGO RATES

REF: STATE 220118 (NOTAL)

1. CIVIL AVIATION AUTHORITY (CAA) OFFICIAL RESPONSIBLE FOR CARGO RATES (BUSWELL) HAS INFORMED EMBASSY THAT FLYING TIGER'S PROPOSED TARIFF INCORPORATING A TWELVE PER CENT INCREASE IN SPECIFIC COMMODITY CARGO RATES FROM HONG KONG TO THE U.S. CONTINUES UNDER ACTIVE CONSIDERATION. CAA IS CONSULTING WITH THE HONG KONG AUTHORITIES, WHO, IN ADDITION TO A GENERAL DISLIKE FOR RATE INCREASES, ARE CONCERNED TO MAINTAIN HONG KONG'S COMPETITIVE POSITION VIS-A-VIS MALAYSIA AND SINGAPORE. BUSWELL UNDERSTANDS THAT LATTER TWO COUNTRIES WOULD ACHIEVE A COST ADVANTAGE OVER HONG KONG IF FLYING TIGER'S TARIFF GOES INTO EFFECT, APPARENTLY, AT LEAST IN PART, BECAUSE THEY HAVE OBTAINED A MORE FAVORABLE CURRENCY EXCHANGE RATE. (HE ALSO NOTED THAT HONG KONG, UNLIKE MALAYSIA AND SINGAPORE, WAS NOT REPRESENTED BY AN AIRLINE AT THE IATA MEETING WHICH CONCLUDED THE AGREEMENT ON WHICH

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THE FT FILING IS BASED.)

2. BUSWELL PROMISED TO INFORM CIVAIR ATTACHE AS SOON AS DECISION REACHED. (HE COMMENTED THAT HAVING ANOTHER AUTHORITY INVOLVED, I.E., HONG KONG'S, TENDS TO DELAY ACTION CONSIDERABLY, BUT HE NOW HOPED TO HAVE WORD WITHIN WEEK OR TWO.)

3. BUSWELL HAD CLEARLY BEEN IRRITATED BY FT'S ACTION IN INITIATING TARIFF WITHOUT CAA APPROVAL AND BY A SUBSEQUENT FT LETTER TO THE CAA, AND HE LAUNCHED, ENTIRELY ON HIS OWN, INTO AN EXPLANATION OF BRITISH PRACTICE, I.E., THAT TARIFFS BECOME EFFECTIVE ONLY AFTER CAA APPROVAL, AND THAT FT'S U.K. OPERATING PERMIT SPECIFICALLY STATES THAT USE OF UNAPPROVED TARIFFS IS CONTRARY TO THE TERMS OF THE PERMIT. THUS FT'S ORIGINAL FILING IS "DEAD", AT LEAST AS FAR AS ITS AUGUST 20 EFFECTIVE DATE IS CONCERNED. (NEITHER BUSWELL NOR ATTACHE RAISED BERMUDA 2, BUT CAA WOULD UNDOUBTEDLY CONTEND THAT UNDER THE CIRCUMSTANCES IN THE U.K. NO ACTION IS THE ACTION CONTEMPLATED IN ARTICLE 12(7) TO CONTINUE EXISTING TARIFFS IN FORCE. BUSWELL DID REACT VERY NEGATIVELY TO SUGGESTION THAT ANY POSSIBLE MISUNDERSTANDING BY FT COULD HAVE BEEN AVOIDED IF CAA HAD INFORMED FT OF THE SITUATION SHORTLY BEFORE THE PROPOSED EFFECTIVE DATE.)

BREWSTER

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